

Bill Siebenborn farm bill testimony House Agriculture Committee Hearing
March 4
Nebraska City, Nebraska

I'm Bill Siebenborn, a dairy farmer from Trenton Missouri. My wife, Sarah and I milk 100 cows on a 390 acres farm, utilizing intensive grazing for the past 27 years. I am actively involved in all phases of dairy production, marketing and promotion. I serve on the Missouri state milk board overseeing inspection of grade A dairy farms. I am a Vice Chairman of Dairy Farmers of America's board of directors, a member of the Executive Committee and chair their value added committee. I serve as chairman of the United Dairywomen Industry Association (UDIA) the national generic promotion arm of dairy farmers administering part of the 15 cent advertising and promotion deductions paid by all dairy farmers in the U.S. I am also a member of the National Milk Producers Federation (NMPF) board of directors.

I appreciate the opportunity to testify at this hearing.

While DFA has not officially developed all of the issues for support for the 2007 farm bill, some of the major features of that bill would be as follows;

- 1) We favor continuation of the dairy price support program in support of a \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any provision which would reorient it's intended purpose from supporting income to farmers versus minimizing government costs. Under President Bush's proposed Ag budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation;
- 2) Additionally, we request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test.
- 3) We continue to support the D.E.I.P. Program and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement;

- 4) We support continuation of the federal milk marketing order program. The application of minimum prices should be equally applied to all significant business transactions. This would mean that if a dairy farmers, through vertical integration, becomes large enough to affect market prices, their exemption from federal order regulation should be removed. It's receiving a lot of press lately as a result of a large dairyman integrating into a fluid milk operation in New Mexico and Arizona. We believe his bottling operation should be subject to federal order regulation the same as all other bottling plants.

Congressman Nunes of California has proposed legislation to also remove this exemption as it applies to the state milk order pricing system.

The Dairy Checkoff is a farmer-funded self-help program designed to increase demand for and sales of U.S. dairy products domestically and internationally. The checkoff works in this way: For each hundred pounds of milk sold, dairy farmers contribute 15 cents to the program, through their cooperatives or whoever buys their milk. 10 cents of that money then goes to a qualified program at the state or regional level, and the other 5 cents goes to the National Dairy Board. Most of that 10 cents that goes to a local program is managed by the state and regional promotion groups that make up the United Dairy Industry Association. The dairy board and UDIA came together in 1995 to put their combined resources into one program under Dairy Management Inc.

The checkoff collects about \$260 million a year, the majority of which is invested through Dairy Management Inc. in a single Unified Marketing Plan designed to sell more dairy on behalf of all dairy farmers. Those dollars are invested in research, promotion and in partnership with cooperatives, processors and other industry leaders to overcome the barriers to increased sales and consumption of dairy products.

In the last few years alone, the checkoff has spurred a large increase in fluid milk consumption in quick-serve restaurants and in schools by making a more attractive milk package available to children and their parents.

Today we are working with leaders and innovators to encourage greater innovation and wider availability to give consumers the dairy products and ingredients they want, how they want it, and where they want it.

The checkoff works for all dairy farmers.

Dairy farmers appreciate that the 2002 Farm Bill includes provision for collection of the Dairy Checkoff on dairy products imported to the U. S. As you know, there still has not been any collection of the Dairy Checkoff on imported products. The U S Special Trade Representative's office has made the decision that additional legislation is needed to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, Puerto Rico, as well as all the dairy farms located in Washington, DC, before the checkoff can be collected on imported dairy products.

Mr. Chairman, we need this additional legislation even now, before the 2007 Farm Bill. Importers are getting a free ride on U S dairy farmer's promotion of dairy products.

I would like to address other proposals contained in President Bush's 2007 Budget.

We oppose the proposed 3-cent per hundredweight tax on dairy farmers as proposed by the President and his budget. Dairy farmers currently are being assessed 15 cents per hundredweight to provide funding for our various generic advertising and promotion plans. They are designed to stimulate consumption, improve sales. Helping keep milk prices above the minimum \$9.90 support price that hold down government cost.

To impose an additional deduction on milk checks when the current outlook is for very low milk prices is unfair and not justified.

75% of the milk in the U.S. is voluntarily contributing an additional 5 cents per hundredweight or approximately \$120 million dollars per year to a self-funded self directed supply demand balancing mechanism called CWT. This plan provides for dairy farmers to voluntarily offer their cattle for marketing to reduce the number of cows being milked in the U.S. dairy herd. In addition, approximately 20% of the dollars are being used to stimulate export sales of cheese and butter in world markets.

The 5% reduction in government payments for all agricultural programs is also under question – particularly when not all government expenditures are equally being reduced – except for homeland and national security. Farmers will pay their share of the need to balance the federal budget, but we question whether the 5% is fair.

As the industry comes together there will be other issues and proposals we undoubtedly will support.

I've included, for the record, other issues that dairymen are concerned with – that will be taken up by other committees of congress. These are comments made by DFA members and presented at the National Milk Producer Federation producer's conclaves at public hearings recently held in the west, midwest and eastern part of the country.

Thanks for allowing me to testify. I'd be glad to respond to questions.